

Financial *Status Report*

November 30, 2018

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through November 30, 2018. It compares revenues and expenditures for the first five months of Fiscal Year 2018-19 and Fiscal Year 2017-18. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles.

San Diego County Economic Indicators

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County have not been updated since May 2018. The Center has experienced problems with their ability to obtain relevant data in which to provide the report. Once the Leading Economic Indicators for San Diego County have been updated, we will present them again in this report.

General Fund Revenues



Property Taxes (\$5.3 million) – The majority of property tax revenue is collected in December and April each year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.38 percent for Fiscal Year 2018-19. This is the sixth year in a row that Carlsbad's assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects

continued improvement in the housing market and new construction. The increase in this year's assessed values was due to a large increase in the assessed values of residential properties in the city; the city saw smaller increases in commercial and industrial property values for the year. This is the fourth year in a row since the Great Recession ended that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

The primary reason that property taxes for the first five months of the fiscal year have decreased by eight percent as compared to the prior fiscal year are:

- Current taxes are down by \$53,000 or 1.4 percent due to timing differences.
- Aircraft taxes are down by \$316,000 or 21.5 percent due to a decrease in the number of aircraft being housed at the airport.
- Payments for previous year's taxes are down by \$52,000.
- Supplemental taxes are down by \$31,000 due to a decrease in property resales.



Sales Taxes (\$15.4 million) – For the first five months of the fiscal year, sales tax revenues are \$746,000 (or five percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second and third calendar quarters of 2018. The state is still transitioning from their legacy system to a new system, and they have changed the timing in which they remit sales tax revenues to the city. Until they have been operating their new remittance program for a year, it will be challenging to compare sales tax revenues by quarter as there are significant timing differences at this time.

For sales occurring in the first calendar quarter of 2018 (the most recent data available), key gains were seen in restaurants, furniture/appliance stores, apparel stores, and service stations. During the same period, key declines were seen in auto sales – new, chemical products, food markets and electronic equipment. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 78 percent of the city's sales tax revenues.



Transient Occupancy Tax (\$13.2 million) – The city's third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$25.4 million for the current fiscal year. A tax of 10 percent of the rent amount is collected on all occupancies less than 30 days (transient) in duration. TOT collected for the first five months of the new fiscal year reflects an increase of \$1.8 million, 16 percent more than the previous year. Higher room

rates and occupancy accounted for a portion of the positive variance. In addition, LEGOLAND opened a second hotel consisting of 250 rooms which was fully opened in May 2018 and the Westin Hotel opened in early August 2018 with a net total of 141 new rooms. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of October 2018.

Currently, there are 4,764 hotel rooms, 668 timeshares and 278 registered short-term vacation rentals. The average occupancy of hotel rooms over the most recent 12 months has been 72 percent, one percentage point higher than last year's average at this time.



Income from Investments and Property (\$2.4 million) – For the first five months of the fiscal year, income from investments and property is up \$587,000 compared to the previous fiscal year.

Interest income is up \$374,000 for the year due to the combination of a 6.1 percent increase in the average daily cash balance combined with a 31.5 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.451 percent last fiscal year to 1.908 percent in the current fiscal year).

Income from property sales and rentals is up by \$213,000 for the year, primarily due an increase in license fees for wireless communication on city street light and traffic signal poles.



Business License Tax (\$2 million) – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$5.2 million for the current fiscal year. Business license revenues are down \$42,000, or two percent, lower than the previous fiscal year. This is primarily due to a decrease in business license renewals as compared to the previous fiscal year. In November 2016, the city went live with a new business

licensing system. At this time last year, the city was making a significant effort reducing the amount and number of outstanding business license renewals, creating a positive timing difference in business license renewals. The city is currently issuing and renewing business licenses in a more timely fashion as compared to two years ago, creating the negative variance this year.

There are currently 9,761 licensed businesses operating within the city, 1,109 less than the prior year. The majority of taxed businesses (6,529 businesses) are located in Carlsbad, with 2,416 of these businesses home-based.



Interdepartmental Charges (\$1.9 million) – Interdepartmental charges are \$667,000, or 54 percent, higher than last year. These charges are generated through engineering services charged to capital projects (up 13 percent, or \$50,000, due to the filling of staffing vacancies from last fiscal year at this time); reimbursed work from other funds (flat); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by

departments within the General Fund (up 74 percent, or \$617,000), the result of charging utility enterprises through miscellaneous interdepartmental charges this year versus a direct reduction in Finance department expenditures.



Development Related Revenues (\$1.8 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a moderate, but expected decrease for the first five months of the fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in November included development at LEGOLAND, the Poinsettia 61 residential project, and the Uptown Bressi mixed use project.

One source of development related revenue is building permits, which are down 15 percent compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction, a decrease in residential permitting activity, and a large decrease in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$104.4 million, while it was \$189.6 million in the previous fiscal year, a 44.9 percent decrease. In November, Carlsbad issued building permits for 13 residential dwelling units, an increase from the nine dwelling units permitted in October. In the northwest quadrant, building permits for eight residential dwelling units were issued. Five permits were issued for second dwelling units and three permits were issued for single-family detached homes. In the southeast quadrant, five building permits were issued for condominiums at Uptown Bressi Ranch. For the current fiscal year, 133 residential permits have been issued, as compared to 170 residential permits issued during the same period last year.

During the month of November, two permits were issued for commercial and industrial space. One permit was issued for 2,109 square feet of commercial space as part of the Four Seasons Residence Club and one permit was issued for 83,712 square feet of commercial space as part of West Coast Self Storage. Year-to-date, there has been 174,505 square feet of commercial/industrial permits issued compared to 968,925 square feet of commercial/industrial permits issued during the same period last year.



Recreation Fees (\$1.7 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are up by one percent compared to last year at this time.



Franchise Taxes (\$1.6 million) – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Franchise tax revenue is estimated at \$5.3 million for the current fiscal year. Year-to-date franchise taxes are \$108,000 higher than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down by \$16,000 due to a decrease in the number of paid subscription services (premium video, equipment rental, on-demand, and programming services). An increase in trash collection revenue of \$39,000 is due to more commercial and residential accounts coming online from new development activity within the city. Additionally, a timing difference with the receipt of the first quarterly fiber optic antenna system franchise payment resulted in a \$85,000 increase in revenue from the prior year.

Approximately 44 percent of the total franchise tax revenue anticipated for the year will be collected from SDG&E during the month of April 2019.



Ambulance Fees (\$1 million) – The city bills any individual who is transported in one of the city's ambulances. Through November 2018, receipts from ambulance fees are down \$19,000, or two percent, compared to last fiscal year. Most of the decrease is due to a reduction in the number of billable transports. The number of billable transported patients for the first five months of Fiscal Year 2018-19 (1,973) versus Fiscal Year 2017-18 (2,218) has decreased significantly.



Other Intergovernmental Revenues (\$874,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$874,000 received this year are a UASI Police grant, a Stonegarden Police overtime grant, an Office of Emergency Services (OES) reimbursement for the 2014 Poinsettia Fires, a Fire Training Reimbursement Program, Peace Officer Standards and Training (POST) reimbursements, an FBI Safe Streets grant, a federal reimbursement for emergency road repair work done on Carlsbad Blvd. in December 2015, state mandated costs reimbursements, a grant for CERT hats, and senior nutrition grants. The large increase for the year is a result of the OES reimbursement received for the 2014 Poinsettia Fires and the federal reimbursement for the emergency road repair work.



Other Revenue Sources (\$601,000) – Other revenue sources have increased by \$58,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The increase to date represents an increase contributions from property owners to offset the costs of special studies (Summerhill Apartments) partially offset by an increase in prior year fee refunds.



Other Licenses and Permits (\$410,000) – Other licenses and permits consist of fire protection services, right-of-way, lagoon, grading, hazardous uses, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity



Transfer Taxes (\$366,000) – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have decreased moderately. Home sales and resales have slowed down nationwide due to rising interest rates and locally due to a slowdown in construction activity.



Other Charges or Fees (\$273,000) – Other charges or fees are generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. The decrease to date reflects an increase in false alarm response charges completely offset by a reduction in mutual aid reimbursements.



Fines and Forfeitures (\$254,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The decrease to date is due to a drop in revenues derived from moving violations partially offset by an increase in short-term vacation rentals code violations.

Expenditures

Total General Fund expenditures and encumbrances through the month of November 2018 are \$77 million, compared to \$74.4 million at the same time last year. This leaves \$117.4 million, or 60.4 percent, available through the fiscal year ending June 30, 2019. If funds were spent in the same proportion as the previous year, the General Fund would have 58.7 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at November 30, 2018 is 61 percent, moderately higher than the 58.9 percent available at November 30, 2017.

The adopted General Fund budget for Fiscal Year 2018-19 increased by \$10.1 million due to the following factors:

- Increased personnel costs:
 - \$1.8 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 3.0 full-time staff (which includes a transfer of 5.0 full-time staff to the Information Technology Internal Service Fund, and the addition of a Parks Superintendent, a Facility Specialist for the Safety Training Center, a Traffic Engineer, an increase of four sworn police positions, two Police Rangers, the addition of a Smart City Innovator position, and the elimination of two Park Maintenance Workers), a decrease of 3.0 limited-term positions from Community and Economic Development, and an increase of 3.28 part-time staff
 - \$400,000 in additional retirement costs due to PERS rate increases and higher salaries
 - Increased workers' compensation rates of \$300,000
 - Increased health insurance rates
- Increased maintenance and operations costs (increase of \$6.8 million):
 - General inflationary adjustments of 2.5 percent
 - Inflationary adjustments partially offset by one-time expenditures from the previous fiscal year
 - General increases in internal service charges
 - A change made in the accounting for billing services provided by the Finance department for the city's Enterprises

- Increases for tuition reimbursement and citywide training/development, staff development and succession planning consulting services, costs associated with the implementation of the Cultural Arts Master Plan, operating costs associated with new park facilities, a new Pest Management Plan, and additional traffic signal maintenance costs
- Increased capital outlay costs of \$100,000
- Increased transfers out of the General Fund:
 - Increase of \$700,000 in the annual transfer to the Infrastructure Replacement Fund

Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of November 30, 2018, \$305,523 has been authorized out of the contingency account as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$1,500,000		
USES:			
Special Events Grant for the National Drive Electric Week	(5,000)	01/23/2018	City Manager
Continuation of North Beach Lifeguard Program	<u>(300,523)</u>	11/13/2018	2018-188
TOTAL USES	<u>(305,523)</u>		
AVAILABLE BALANCE	<u>\$1,194,477</u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

**GENERAL FUND
REVENUE COMPARISON**

	EXPECTED BUDGET AS OF 11/30/18	ACTUAL FY 2018 AS OF 11/30/17	ACTUAL FY 2019 AS OF 11/30/18	CHANGE FROM YTD 2018 TO YTD 2019	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$6,055,341	\$5,786,265	\$5,334,624	(\$451,641)	-8%
SALES TAX	15,308,349	14,621,678	15,367,459	745,781	5%
TRANSIENT OCCUPANCY TAX	11,984,654	11,413,155	13,232,308	1,819,153	16%
FRANCHISE TAX	1,379,746	1,494,580	1,602,557	107,977	7%
BUSINESS LICENSE TAX	2,124,744	2,044,087	2,002,029	(42,058)	-2%
TRANSFER TAX	321,126	406,098	365,790	(40,308)	-10%
TOTAL TAXES	37,173,960	35,765,863	37,904,767	2,138,904	6%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	0	0	0	0	0%
HOMEOWNERS EXEMPTIONS	(36)	(36)	(37)	(1)	-3%
OTHER	183,466	288,933	873,844	584,911	202%
TOTAL INTERGOVERNMENTAL	183,429	288,897	873,807	584,910	202%
LICENSES AND PERMITS					
BUILDING PERMITS	478,406	901,742	768,288	(133,454)	-15%
OTHER LICENSES & PERMITS	344,878	423,838	409,803	(14,035)	-3%
TOTAL LICENSES & PERMITS	823,284	1,325,580	1,178,091	(147,489)	-11%
CHARGES FOR SERVICES					
PLANNING FEES	216,548	315,144	346,537	31,393	10%
BUILDING DEPARTMENT FEES	359,197	542,839	530,763	(12,076)	-2%
ENGINEERING FEES	395,868	581,335	203,253	(378,082)	-65%
AMBULANCE FEES	1,026,494	1,018,224	999,684	(18,540)	-2%
RECREATION FEES	1,742,344	1,665,776	1,688,266	22,490	1%
OTHER CHARGES OR FEES	114,235	281,685	273,311	(8,374)	-3%
TOTAL CHARGES FOR SERVICES	3,854,686	4,405,003	4,041,814	(363,189)	-8%
FINES AND FORFEITURES	271,896	258,664	253,953	(4,711)	-2%
INCOME FROM INVESTMENTS & PROPERTY	1,602,462	1,824,989	2,411,665	586,676	32%
INTERDEPARTMENTAL CHARGES	1,824,234	1,225,507	1,892,271	666,764	54%
OTHER REVENUE SOURCES	412,623	543,168	601,124	57,956	11%
TRANSFERS IN	542	10,000	10,000	0	0%
TOTAL GENERAL FUND	\$46,147,117	\$45,647,671	\$49,167,492	\$3,519,821	8%

(1)

(1) Calculated General Fund revenues are 6.5% above estimates as of November 30, 2018.

**GENERAL FUND
EXPENDITURE STATUS BY DEPARTMENT**

DEPT DESCRIPTION	TOTAL BUDGET FY 2018-19	AS OF 11/30/18		
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY/LEADERSHIP GROUP				
CITY COUNCIL	\$582,096	\$182,185	\$399,911	68.7%
CITY MANAGER	3,540,167	1,061,601	2,478,566	70.0%
COMMUNITY OUTREACH AND ENGAGEMENT	2,139,768	1,072,736	1,067,032	49.9%
CITY CLERK AND RECORDS MANAGEMENT	1,301,059	434,337	866,722	66.6%
CITY ATTORNEY	1,973,038	660,069	1,312,969	66.5%
CITY TREASURER	247,550	78,050	169,500	68.5%
TOTAL POLICY/LEADERSHIP	9,783,678	3,488,978	6,294,700	64.3%
ADMINISTRATIVE SERVICES				
FINANCE	7,232,259	2,768,471	4,463,788	61.7%
HUMAN RESOURCES	5,327,528	2,150,986	3,176,542	59.6%
TOTAL INTERNAL SERVICES	12,559,787	4,919,457	7,640,330	60.8%
PUBLIC SAFETY				
POLICE	41,341,215	15,861,870	25,479,345	61.6%
FIRE	25,050,170	10,212,318	14,837,852	59.2%
TOTAL PUBLIC SAFETY	66,391,385	26,074,188	40,317,197	60.7%
COMMUNITY SERVICES				
COMMUNITY AND ECONOMIC DEVELOPMENT	12,607,188	5,313,858	7,293,330	57.9%
HOUSING AND NEIGHBORHOOD SERVICES	1,770,107	933,130	836,977	47.3%
LIBRARY AND CULTURAL ARTS	15,070,017	5,158,605	9,911,412	65.8%
PARKS AND RECREATION	20,512,153	8,496,478	12,015,675	58.6%
TOTAL COMMUNITY SERVICES	49,959,465	19,902,071	30,057,394	60.2%
PUBLIC WORKS				
PUBLIC WORKS ADMINISTRATION	2,970,934	637,342	2,333,592	78.5%
ENVIRONMENTAL MANAGEMENT	1,083,486	496,512	586,974	54.2%
GENERAL SERVICES	10,788,065	4,561,783	6,226,282	57.7%
TRANSPORTATION	8,508,301	3,189,509	5,318,792	62.5%
TOTAL PUBLIC WORKS	23,350,786	8,885,146	14,465,640	61.9%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	17,955,110	541,232	17,413,878	97.0%
TRANSFERS OUT	13,203,101	13,203,101	0	0.0%
CONTINGENCY	1,194,477	0	1,194,477	100.0%
TOTAL NON-DEPT & CONTINGENCY	32,352,688	13,744,333	18,608,355	57.5%
TOTAL GENERAL FUND	\$194,397,789	\$77,014,173	\$117,383,616	60.4%

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

(c) Amount available would be 58.7% if funds were spent in the same proportion as the previous year.

Water Enterprise

WATER OPERATIONS FUND NOVEMBER 30, 2018					
	BUDGET FY 2018-19	YTD (*) 11/30/2017	YTD (*) 11/30/2018	CHANGE FROM YTD 2017-18 TO YTD 2018-19	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	\$ 41,700,000	\$ 18,656,580	\$ 19,677,167	\$ 1,020,587	5.5%
INTEREST	286,600	146,976	211,057	64,081	43.6%
MISC. SERVICE CHARGES	302,500	139,937	141,408	1,471	1.1%
PROPERTY TAXES	3,941,500	302,752	293,452	(9,300)	-3.1%
FINES, FORFEITURES & PENALTIES	263,200	129,244	139,750	10,506	8.1%
OTHER REVENUES	680,000	287,102	163,825	(123,277)	-42.9%
TOTAL OPERATING REVENUE	47,173,800	19,662,591	20,626,659	964,068	4.9%
EXPENSES:					
STAFFING	3,682,973	1,425,176	1,406,391	(18,785)	-1.3%
INTERDEPARTMENTAL SERVICES	2,483,079	890,996	1,026,829	135,833	15.2%
PURCHASED WATER	25,100,000	10,909,819	11,327,431	417,612	3.8%
MWD/CWA FIXED CHARGES	6,160,000	2,721,693	2,745,117	23,424	0.9%
OUTSIDE SERVICES/MAINTENANCE	1,466,871	321,305	237,596	(83,709)	-26.1%
DEPRECIATION/REPLACEMENT	3,860,000	1,629,167	1,608,333	(20,834)	-1.3%
MISCELLANEOUS EXPENSES	1,157,795	513,032	351,346	(161,686)	-31.5%
CAPITAL OUTLAY	58,912	10,051	13,448	3,397	33.8%
TOTAL OPERATING EXPENSES	43,969,630	18,421,239	18,716,491	295,252	1.6%
OPERATING INCOME/(LOSS)	\$ 3,204,170	\$ 1,241,352	\$ 1,910,168	\$ 668,816	53.9%
(*) Adjusted to reflect timing differences for water purchases and depreciation.					

Revenues



- The increase in water delivery revenues is the result of an average 2.5 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2018, coupled with a 3.3 percent increase in water sales during the first five months of the fiscal year due to less restrictive water usage constraints and drier weather.
- A seven percent increase in the average cash balance combined with a 31.5 percent increase in the yield in the Treasurer's portfolio has led to higher interest earnings.
- The increase in miscellaneous service charges is primarily due to increases in backflow device revenues.
- Timing differences account for the temporary decrease in property taxes.
- The increase in fines, forfeitures and penalties is due primarily to an increase in late charge revenues.
- The decrease in other revenues is primarily due to a decrease in service installation fees and a timing difference with cell site leases.

Expenses



- For Fiscal Year 2018-19, a total of 0.25 full-time positions have been reallocated to other programs from the Water Enterprise to better reflect each programs' workload which has been partially offset by normal salary increases.
- An updated and a change in the methodology of the cost allocation plan has led to higher interdepartmental charges.
- A 4.3 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA), offset by a 1.4 percent increase in the amount of water purchased, represent the primary drivers in this variance.
- Decreases in software maintenance costs have led to higher outside services/maintenance expenses.
- Decreases in meter and parts purchases are the largest factors in the miscellaneous expenses variance.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND NOVEMBER 30, 2018					
	BUDGET FY 2018-19	YTD (*) 11/30/2017	YTD (*) 11/30/2018	CHANGE FROM YTD 2017-18 TO YTD 2018-19	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	14,031,500	5,848,256	6,033,897	185,641	3.2%
INTEREST	110,000	59,865	79,025	19,160	32.0%
OTHER REVENUES	294,000	107,999	100,028	(7,971)	-7.4%
TOTAL OPERATING REVENUE	14,435,500	6,016,120	6,212,950	196,830	3.3%
EXPENSES:					
STAFFING	2,433,596	807,404	811,331	3,927	0.5%
INTERDEPARTMENTAL SERVICES	1,248,906	543,804	517,729	(26,075)	-4.8%
ENCINA PLANT SERVICES	3,785,777	1,479,899	1,537,677	57,778	3.9%
OUTSIDE SERVICES/MAINTENANCE	697,751	94,582	90,833	(3,749)	-4.0%
DEPRECIATION/REPLACEMENT	3,680,000	1,520,833	1,533,333	12,500	0.8%
MISCELLANEOUS EXPENSES	706,697	228,012	227,318	(694)	-0.3%
CAPITAL OUTLAY	0	237,225	0	(237,225)	-100.0%
TOTAL OPERATING EXPENSES	12,552,727	4,911,759	4,718,221	(193,538)	-3.9%
OPERATING INCOME/LOSS	1,882,773	1,104,361	1,494,729	390,368	35.3%
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

Revenues



- Charges for current services are up slightly due to increases in development throughout the city.
- Cash balances in the fund have decreased by 1.6 percent from last year, combined with an increase in the average yield on the portfolio of 31.5 percent, have impacted interest earnings for the year.
- The decrease in other revenues is being driven primarily by engineers within the Enterprise charging less of their time to capital projects.

Expenses



- For Fiscal Year 2018-19, a total of 1.55 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each programs' workload. This has been partially offset by current vacancies in the Enterprise.
- An updated and a change in the methodology of the cost allocation plan has led to lower interdepartmental charges.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated monthly.
- Decreases in outside services are driven by a timing difference in computer maintenance charges
- The decrease in capital outlay is the result of a prior year vector truck purchase.